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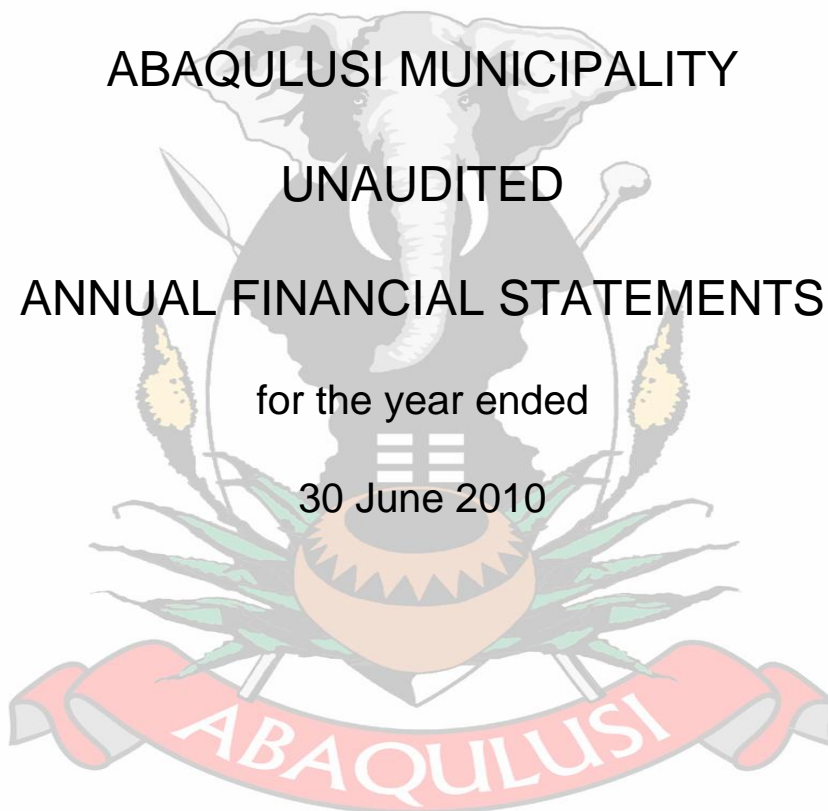
ABAQULUSI MUNICIPALITY

UNAUDITED

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2010



Annual Financial Statements

for

ABAQULUSI MUNICIPALITY

for the year ended 30 June: **2010**

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

Contact Information:

Name of Municipal Manager:

B E NTANZI

Name of Chief Financial Officer:

M J PEARSON

Contact telephone number:

034-982 2133

Contact e-mail address:

finance@abaqulusi.gov.za

Name of relevant Auditor:

AUDITOR GENERAL

Contact telephone number:

033 2647400

Contact e-mail address:

ABAQULUSI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

General information

Members of the Council

G M DLAMINI	Mayor
J J JONES	Deputy Mayor
Z S BUTHELEZI	Speaker
S B DLODLO (DECEASED)	Speaker
M B KHUMALO	Member of the Executive Committee
C N MOLEFE	Member of the Executive Committee
E C TSHIGENG	Member of the Executive Committee
S E QWABE	Member of the Executive Committee
B A MTSHALI	Member of the Executive Committee
E J S MOOLMAN (RESIGN)	Member of the Municipal Council
M A MAZIBUKO	Member of the Municipal Council
H E HEYNS	Member of the Municipal Council
P M MTSHALI	Member of the Municipal Council
S M E MTSHALI	Member of the Municipal Council
M A XULU (DECEASED)	Member of the Municipal Council
J Z BUTHELEZI	Member of the Municipal Council
J W MTHEMBU	Member of the Municipal Council
G P KOEKEMOER	Member of the Municipal Council
W F BURGER	Member of the Municipal Council
G NKOHLA	Member of the Municipal Council
P N KHABA	Member of the Municipal Council
T V RADEBE	Member of the Municipal Council
L M NDLOVU	Member of the Municipal Council
R B MHLUNGU	Member of the Municipal Council
S R NKOSI	Member of the Municipal Council
N P NDLELA	Member of the Municipal Council
H NKABINDE	Member of the Municipal Council
I S M HADEBE	Member of the Municipal Council
A M MASONDO	Member of the Municipal Council
D M KHABA	Member of the Municipal Council
N P NENE	Member of the Municipal Council
M MDLALOSE	Member of the Municipal Council
T E VILAKAZI	Member of the Municipal Council
A D MKHULISE	Member of the Municipal Council
M E ZUNGU	Member of the Municipal Council
N A KUNENE	Member of the Municipal Council
B L ZWANE	Member of the Municipal Council
M J SIBIYA	Member of the Municipal Council
M M KUNENE	Member of the Municipal Council
X J ZUNGU	Member of the Municipal Council
S M VILAKAZI	Member of the Municipal Council
A E F VOLKER	Member of the Municipal Council

Municipal Manager

B E Ntanzi

Chief Financial Officer

M J Pearson

Grading of Local Authority

Grade 8

Auditors

Auditor-General

Bankers

Absa

ABAQULUSI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

General information (continued)

Registered Office:	c/o Mark & High Street
Physical address:	c/o Mark & High Street VRYHEID 3100
Postal address:	P O Box 57 VRYHEID 3100
Telephone number:	034-982 2133
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E-mail address:	municipalmanager@abaqulusi.gov.za

ABAQULUSI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

Approval of Annual Financial Statements

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 5 to 59, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and

Municipal Manager

DATE: 30 August 2010

ABAQULUSI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
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ABAQULUSI MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2010

	Note	2010 R	2009 R
ASSETS			
Non-current assets		311 977 324	303 003 343
Property, plant and equipment	10	273 480 310	268 236 288
Investments	11.1	38 497 014	34 767 056
Current assets		56 703 196	60 150 132
Inventory	12	5 701 622	6 777 902
Trade Receivables from exchange transactions	13	19 586 365	20 996 114
Trade Receivables from non-exchange transactions	14	11 166 105	9 134 794
Value added taxation receivable from exchange transactions	9	10 037 149	10 739 311
Call investment deposits	15	6 209 325	8 766 072
Bank balances and cash	16	4 002 631	3 735 939
Total Assets		368 680 520	363 153 475
LIABILITIES			
Non-current liabilities		2 476 000	-
Long-term liabilities	3	2 476 000	-
Current liabilities		36 825 931	32 116 854
Consumer deposits	4	7 994 696	7 305 215
Creditors	6	20 213 683	19 758 022
Unspent conditional grants and receipts	7	8 023 657	5 053 617
Provisions	5	593 894	
Total liabilities		39 301 931	32 116 854
Total Assets and Liabilities		329 378 589	331 036 621
NET ASSETS			
Total Net Assets			
Housing Development Fund	1	746 650	714 650
Accumulated surplus / (deficit)		328 631 939	330 321 971
Total Net Assets		329 378 589	331 036 621

ABAUULUSI MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2010

	Note	2010 R	2009 R
Revenue			
Property rates	17	27 028 941	25 111 843
Service charges	18	129 818 265	102 621 375
Rental of facilities and equipment	27	424 936	570 814
Interest earned - external investments	28	3 639 503	330 808
Interest earned - outstanding debtors	29	615 260	865 667
Fines		672 675	598 259
Licences and permits		4 379 345	2 953 697
Government grants and subsidies		51 696 960	38 922 507
Other income	30	22 661 937	2 291 206
Total revenue		240 937 823	174 266 176
Expenses			
Employee related costs	20	68 191 482	56 916 532
Remuneration of councillors	21	8 970 054	8 472 662
Repairs and maintenance		20 187 004	14 591 523
Depreciation	10	21 741	
Bulk purchases	22	60 545 127	40 353 596
Contracted services	23	2 604 582	630 663
Grants and subsidies paid	24	13 881 685	7 898 388
General expenses	25	53 542 565	68 769 078
Total expenses		227 944 241	197 632 443
Less Amounts Charged Out		(3 145 573)	(24 027 817)
		224 798 667	173 604 626
Surplus / (deficit) for the period		16 139 156	661 551

ABAQULUSI MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2010

	Pre -GRAP Reserves and Funds	Housing Development Fund	Accumulated Surplus/(Deficit)	Total: Net Assets
Note	R'000	R	R	R
Balance at 30 June 2008	453 033 886	642 880	3 368 804	457 045 570
Changes in accounting policy				0
Restated balance	453 033 886	642 880	3 368 804	457 045 570
Correction of prior period error			-3 540 671	-3 540 671
Surplus / (deficit) for the period			661 551	661 551
Balance at 30 June 2009	453 033 886	642 880	489 684	454 166 450
Implementation GRAP (Note)	-453 033 886		453 033 886	0
Restated balance	0	642 880	453 523 570	454 166 450
Interest on Housing Development Fund		71 770		71 770
Transfers to / from accumulated surplus/(deficit) (Acc Depreciation)			-123 201 599	-123 201 599
Balance at 30 June 2009	0	714 650	330 321 971	331 036 621
Changes in accounting policy				0
Restated balance		714 650	330 321 971	331 036 621
Correction of prior period error			-1 157 126	-1 157 126
Restated balance		714 650	329 164 845	329 879 495
Surplus / (deficit) for the period			16 139 156	16 139 156
Balance at 30 June 2010		714 650	345 304 001	346 018 651
Interest on Housing Development Fund		32 000		32 000
Transfers to / from accumulated surplus/(deficit) (Acc Depreciation)			-16 672 062	-16 672 062
Balance at 30 June 2010	0	746 650	328 631 939	329 378 589

ABAQULUSI MUNICIPALITY
CASH FLOW STATEMENT
as at 30 June 2010

	Note	2010 R	2009 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other.		315 327 676	-
Cash paid to suppliers and employees		(299 309 583)	-
Cash generated from / (utilised by) operations		16 018 093	
Net cash flows from operating activities		16 018 093	91 155 310
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(22 026 234)	(77 412 445)
Corrections fixed assets		-	(30 639 990)
Proceeds from sale of investments			
Decrease/(Increase) in non-current receivables		1 643 809	
Net cash flows from investing activities		(20 382 425)	(108 052 435)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised		2 476 000	
Loans repaid			
Increase/(Decrease) in consumer deposits			
Net cash flows from financing activities		2 476 000	-
Net increase / (decrease) in net cash and cash equivalents		(1 888 331)	(16 897 125)
Net cash and cash equivalents at beginning of period		12 094 317	28 991 442
Net cash and cash equivalents at end of period		10 205 985	12 094 317

ABAQULUSI MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention.

The Annual Financial Statements have been prepared in accordance with the Accounting Standards and principles contained in Directive 3 and 5 issued by the Accounting Standards Board ("ASB") in March 2009.

The Accounting Framework of the municipality, based on the preceding paragraphs and applicable to the operations of the municipality, defined as Generally Recognised Accounting Practice ("GRAP"), comprises the approved and effective standards of GRAP, together with certain statements of International Public Sector Accounting Standards ("IPSASs"), as well as International Financial Reporting Standards ("IFRS"), comprising International Accounting Standards ("IAS"), in cases where a relevant standard of GRAP has not been issued. The standards therefore applicable to these financial statements, are therefore:"

GRAP 1 Presentation of Financial Statements

GRAP 2 Cash Flow Statements

GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors

GRAP 5 Borrowing Costs

GRAP 6 Consolidated and Separate Financial Statements

GRAP 9 Revenue from Exchange Transactions

GRAP 12 Inventories

GRAP 13 Leases

GRAP 14 Events after the Reporting Date

GRAP 16 Investment property

GRAP 17 Property, Plant and Equipment

GRAP 19 Provisions, Contingent Liabilities and Contingent Assets

GRAP 100 Non-Current Assets Held for Sale and Discontinued Operations

GRAP 102 Intangible Assets

IPSAS 20 Related Party Disclosure

IPSAS 21 Impairment of Non Cash-Generating Assets

IFRS 7 Financial Instruments: Disclosures

IAS 19 Employee Benefits

IAS 32 Financial Instruments: Presentation

IAS 36 Impairment of Assets

IAS 39 Financial Instruments: Recognition and Measurement

IFRIC 4 Determining whether an arrangement contains a lease

1.1 Changes in accounting policy and comparability

For the year ended 30 June 2009, the municipality has adopted the accounting framework as set out in point 1 above. The details of comparative restatements are set out in the notes that follow.

The municipality changes an accounting policy only if the change:

- a) is required by a Standard of GRAP; or
- b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

1.2 Critical judgments, estimations and assumptions

The following are the critical judgments, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities into categories, is based on judgement by management.

1.2.3 Impairment of Financial Assets

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: *Financial Instruments - Recognition and Measurement*. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

1.2.4 Useful lives of Property, Plant and Equipment ("PPE")

As described in Accounting Policies 3.3, 4 & 5, the municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.2.5 Impairment: Write down of PPE and Inventories

Significant estimates and judgments are made relating to PPE impairment tests and write down of inventories to net realisable values.

1.2.6 Defined Benefit Plan Liabilities

Multi-employer defined benefit funds are accounted for as defined contribution funds as set out in note 13.

1.3 Presentation currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going concern assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 103 Heritage Assets - issued July 2008

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

- IAS 19 Employee Benefits - effective 1 January 2009
- IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009
- IAS 39 Financial Instruments: Recognition and Measurement - portions of standard effective 1 July 2009

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. HOUSING OPERATING ACCOUNT

The Housing Operating Account was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Operating Account. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Operating Account.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Operating Account. Monies standing to the credit of the Housing Operating Account can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost, where applicable, also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (which includes deemed cost for previously unrecognised assets), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3.3 Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives, are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Infrastructure		Other	
Roads and Paving	10 - 15	Buildings	30
Pedestrian Malls	30	Specialist vehicles	5 - 7
Electricity	20	Other vehicles	5
Water	20	Office equipment	5
Sewerage	20	Furniture and fittings	5 - 7
		Bins and containers	10
Community		Specialised plant and equipment	7
Buildings	30	Other items of plant and equipment	5
Recreational Facilities	30	Landfill sites - preperation	N/A
Security - Fencing	3	Quarries	N/A
Halls	30	Emergency equipment	7
Libraries	30	Computer equipment	3 - 5
Parks and gardens	30		
Other assets			
Heritage assets			
Buildings	0		
Paintings and artifacts	0		
Finance lease assets			
Office equipment	5		
Other assets	5		

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3.6 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives.

3.7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3.8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

3.9 Impairment of assets

3.9.1 Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3.9.2 Impairment of Non-Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3.10 Transitional Provision

The estimated useful lives and the depreciation methods were not reviewed in the previous financial year as required by GAMAP 17 as these requirements were exempted in terms of General Notice 522 of 2007. The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2009 (and retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 3.

The municipality did not perform impairment testing on its cash generating assets in the previous financial year as required by IAS 36/AC128, as this requirement has been exempted in terms of General Notice 522 of 2007. The testing for impairment of cash generating assets has been performed for the year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of IAS 36/AC128 and GRAP 3.

The municipality did not perform impairment testing on its non-cash generating assets in the previous financial year as required by IAS 36/AC128, as this requirement has been exempted in terms of General Notice 522 of 2007. The testing for impairment of non-cash generating assets has been performed for the year ended 30 June 2009 (and not retrospectively) in accordance with the requirements of IPSAS 21.

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance which are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense when incurred. Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4.4 Transitional Provisions

Costs incurred on intangible assets (other than on computer software, websites and the valuation roll) were expensed and not capitalised in the previous financial year as required by IAS 38 as this requirement was exempted in terms of General Notice 522 of 2007. The municipality accounted for all costs incurred that meet the intangible asset definition and recognition requirements as intangible assets for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 3.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases; and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

5.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5.3 Transitional Provisions

Investment properties were recognised in terms of IAS 40 and subsequently measured in accordance with the cost model, but the fair values were not disclosed in the previous financial year as required by IAS 40 as this requirement was exempted in terms of General Notice 522 of 2007. The fair values of investment properties recognised in terms of GRAP 16 have been disclosed for the financial year ended 30 June 2009 (and retrospectively where practicable) in accordance with the requirements of GRAP 16, GRAP 3 and ASB Directive 3.

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

6.1 Financial Assets - Classification

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc)

- Long-term Receivables

- Consumer Debtors

- Certain Other Debtors (see note 17)

- Short-term Investment Deposits

- Bank Balances and Cash

In accordance with IAS 39.09, the *Financial Assets* of the municipality are classified as follows into the four categories allowed by this standard:

Type of Financial Asset Classification in terms of IAS 39.09

Short-term Investment Deposits – Call Held-to-maturity investments

Bank Balances and Cash Available for sale investments

Long-term Receivables Loans and receivables

Consumer Debtors Loans and receivables

Other Debtors Loans and receivables

Investments in Fixed Deposits Held-to-maturity investments

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or

- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;

- Held-to-Maturity Investments; or

- Financial Assets at fair value through the Statement of Financial Performance.

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

6.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Certain Other Creditors (see note 7)

•Bank Overdraft

- Short-term loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

There are two main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured as:

- Fair value through profit or loss; or

- Other financial liabilities.

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives). Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulting gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities are classified as "Other financial liabilities" and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the *Financial Liabilities* of the municipality are all classified as "Other financial liabilities".

6.3 Initial and Subsequent Measurement

6.3.1 Financial Assets:

Held-to-maturity Investments and *Loans and Receivables* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial Assets at *Fair Value* and *Available-for-Sale* are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

6.3.2 Financial Liabilities:

Financial liabilities at fair value are initially and subsequently measured at fair value. Other financial liabilities are measured at amortised cost using the effective interest rate method.

6.4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Consumer Debtors are stated at cost less a provision for bad debts. The provision is made in accordance with IAS 39.64 whereby the recoverability of Consumer Debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of Available-for-Sale equity securities, impairment losses previously recognised through profit or loss are not reversed through the Statement of Financial performance. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

6.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

6.7 Transitional Provisions

Financial Assets and Liabilities and the information relating thereto were presented and disclosed in accordance with the requirements of the old version of IAS 32 in the previous financial year and not in accordance with the requirements of the new IAS 32 and IFRS 7 as these requirements were exempted in terms of General Notice 522 of 2007. Financial Assets and Liabilities and the information relating thereto are presented and disclosed for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of the new version of IAS 32 and IFRS 7 and GRAP 3.

Financial instruments were initially measured at cost and not at fair value in the previous financial year as required by IAS 39.43, AG 64, AG 65, AG 79 and SAICA Circular 9 as this requirement was exempted in terms of General Notice 522 of 2007. Financial instruments are now initially measured at fair value for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of IAS 39.43, IAS 39 AG.64, IAS 39 AG.65, IAS 39 AG.79, SAICA Circular 9 and GRAP 3.

7. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

7.1 Credit Risk

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

7.2 Liquidity Risk

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.

- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note XX.Y to the annual financial statements.

Risk management of Financial Assets and Liabilities were presented and disclosed in accordance with the requirements of the old version of IAS 32 in the previous financial year and not in accordance with the requirements of IFRS 7 as these requirements were exempted in terms of General Notice 522 of 2007. Risk management of Financial Assets and Liabilities are presented and disclosed for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of IFRS 7 and GRAP 3.

8. INVENTORIES

8.1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

8.2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

8.3 Transitional Provisions

Although the recognition of immovable capital assets, that meet the definition and recognition criteria of inventory, as inventories in accordance with the requirements of GAMAP 12 was exempted in the previous financial year in terms of General Notice 522 of 2007, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality the recognition of immovable capital assets, that meet the definition and recognition criteria of inventory, as inventories in the previous financial year. Immovable capital assets that meet the definition and recognition criteria of inventory continued to be recognised as inventories for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 12 and ASB Directive 3.

9. NON-CURRENT ASSETS HELD-FOR-SALE

9.1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Council must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

9.2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

9.3 Transitional Provisions

The municipality accounted for the disposal of Non-current assets and Disposal Groups in the previous financial year in accordance with the requirements of GAMAP 17, IAS 38, IAS 40 or IAS 41, as appropriate, and not in accordance with the requirements of IFRS 5 as these requirements were exempted in terms of General Notice 522 of 2007. Accounted for the disposal of Non-current assets and Disposal Groups for the year ended 30 June 2009 (and not retrospectively) in accordance with the requirements of GRAP 100 and ASB Directive 3.

10. REVENUE RECOGNITION

10.1 General

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

10.2 Revenue from Exchange Transactions

10.2.1 Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10.2.2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made in the last month of the financial year is recognised based on an estimate of the prepaid electricity consumed as at the reporting date with reference to the consumption patterns of the individual users.

10.2.3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

10.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10.2.5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

10.2.6 Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.

The costs incurred or to be incurred in respect of the transaction can be measured reliably.

10.2.7 Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement, where such lease periods span over more than one financial year.

10.3 Revenue from Non-exchange Transactions

10.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

10.3.3 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

10.3.4 Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

10.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

10.4 Transitional Provisions

Revenue was initially recognised at cost and not at fair value in the previous financial year as the requirements of GAMAP 9.12 and SAICA circular 09/2006, which states that revenue should be recognised initially at fair value through discounting all future receipts using an imputed rate of return, have been exempted in terms of General Notice 522 of 2007. Revenue is initially recognised at fair value for the year ended 30 June 2009 (and retrospectively, where practicable) by discounting all future receipts using an imputed rate of return in accordance with the requirements of GRAP 9, GRAP 3 SAICA circular 09/2006.

11. GOVERNMENT GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

The municipality accounted for government grants and receipts in the previous financial year in accordance with the requirements of IAS 20.24 and .26, GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 – .46, as appropriate, and not in accordance with the requirements of the entire IAS 20 as these requirements, other than IAS 20.24 and .26, were exempted in terms of General Notice 522 of 2007. The municipality accounted for government grants and receipts for the year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of GAMAP 9.42 - .46 and ASB Directives 3 and 5.

12.PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

13.EMPLOYEE BENEFITS

13.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13.2 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

13.3 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

13.3.1 Pension obligations

The municipality and its employees contribute to 4 different pension funds, namely Natal Joint Municipal Pension Fund and South African Local Authority Pension Fund. The defined benefit fund was last actuarially valued during the reporting period ending 30 June 2006.

The KZN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds and Government Employee Pension Fund are defined benefit funds. The Natal Joint Provident Fund and South African Local Authority Pension Fund are defined contribution funds.

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment hereof is made in the course of the municipality's normal budgeting processes."

For defined contribution plans, the Municipality pays contributions to fund administrators. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13.3.2 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and recognised actuarial gains and losses, adjusted by past service costs where applicable. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and an appropriate discount rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

13.3.3 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, as well as additional once-off leave calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

14.LEASES

14.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14.2 The Municipality as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or installment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or installment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

15.BORROWING COSTS

Borrowing costs incurred relating to qualifying assets and all other borrowing costs incurred were recognised as expenses in the Statement of Financial Performance in the previous financial year. The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2009 in accordance with the requirements of GRAP 5 and ASB Directive 3.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when

substantially all the activities to prepare the asset for its intended use or sale are complete.

16.VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payments basis.

17.CASH AND CASH EQUIVALENTS

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

18.UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19.IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20.FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

21.CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Although the retrospective application, where practicable, of changes in accounting policies affected by management in accordance with the requirements of GRAP 3 was exempted in the previous financial year in terms of General Notice 522 of 2007 (providing that these changes in accounting policies were applied prospectively by the municipality), the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality the retrospective application, where practicable, of changes in accounting policies affected by management in the previous financial year. The municipality continued to apply changes in accounting policies affected by management retrospectively, where practicable, for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 3.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 36 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

Although the identification and disclosure of the impact of GRAP standards that have been issued but are not yet effective was exempted in the previous financial year in terms of General Notice 522 of 2007, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality the identification and disclosure of the impact of GRAP standards that have been issued but are not yet effective in the previous financial year. The municipality continued to identify and disclose the impact of GRAP standards that have been issued but are not yet effective for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 3.

22.RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23.EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

24.COMPARATIVE INFORMATION

24.1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

25.CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

26.TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

ABAKULUSI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	2010 R	2009 R
1 HOUSING OPERATING ACCOUNT		
Housing Operating Account	<u>746 846</u>	<u>714 650</u>
The Housing Development Fund is represented by the following assets and liabilities :		
Cash and cash equivalents.(Investments.)	<u>746 846</u>	<u>714 650</u>
	<u>746 846</u>	<u>714 650</u>
2 NON-CURRENT PROVISIONS		
Provision for rehabilitation of landfill sites	-	-
Total Non-Current Provisions	<u>-</u>	<u>-</u>
The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is based on management assessment of the rehabilitation costs of the dumpsite.A study will be done to determine the cost estimate in the near future.		
Provision for rehabilitation of landfill sites:		
Balance at the beginning of year	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
Balance at the end of year	<u>-</u>	<u>-</u>
3 LONG-TERM LIABILITIES		
Annuity Loans	<u>2 476 000</u>	-
Sub-total	<u>2 476 000</u>	-
Less: Current portion transferred to current liabilities	-	-
Annuity Loans	<u>-</u>	<u>-</u>
Total External Loans	<u>2 476 000</u>	<u>-</u>
Refer to Appendix A for more detail on long-term liabilities.		
Annuity loans		
Bear interest at rates between 6.5% per annum, are being redeemed in half yearly installments, including interest, in May and October until xxxx, only commencing repayment after two years		
4 RETIREMENT BENEFITS		
4.1 Pension benefits		
4.2 Post -employment medical benefits		
4.3 Long service awards.		
5 CONSUMER DEPOSITS		
Electricity	7 183 970	6 561 574
Water	810 726	743 641
Total consumer deposits	<u>7 994 696</u>	<u>7 305 215</u>
Guarantees held in lieu of Electricity and Water Deposits		

ABAKULUSI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	2010 R	2009 R
6 PROVISIONS		
Performance bonus	593 894	-
Current portion of rehabilitation of the landfill site. see note)	-	-
Current portion of long-service provision (see note)	-	-
Total Provisions	593 894	-

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exist.

The balance of the performance bonus provisions relate to amounts not yet paid to certain employees due to disputes over the assessment process.

The movement in current provisions are reconciled as follows: -

	Performance Bonus	Performance Bonus
as at 1 July 2009	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
as at 30 June 2010	-	-
as at 1 July 2008	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
as at 30 June 2009	-	-

7 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade creditors	11 069 166	8 851 206
Deposits Other	10 384	4 409
Payments received in advance	-	-
Retentions	3 743 102	4 097 944
Staff leave accrual	4 616 594	4 381 680
Accrued interest	-	-
Other creditors	10 584	1 720 512
Total creditors	19 449 829	19 055 751

DISCLOSURE ENTRIES BANK ACCOUNT

Year End Adjustments (Outstanding cheques etc)	763 854	702 271
	20 213 683	19 758 022

8 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent Conditional Grants from other spheres of Government

M A P Grant	960 617	837 346
Upgrade Billing Emondlo	29 603	28 671
D M E Connections	3 214 543	-
Gijima	38 830	38 830
Cyber Cadet Library Grant	-	85 500
Land Use Management	285 950	285 950
Community Gardens	-	60 212
Project Consolidate - Informal	276 535	414 273
Project Consolidate- Meters	-	1 957 694
Project Consolidate - Facilitate	-	209 787
MIG Capital Works	2 922 837	957 604
Performance Management Systems	52 245	177 750
Housing	242 497	177 750

Total Unspent Conditional Grants and Receipts	8 023 657	5 053 617
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See Note 19 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

9 TRANSACTIONS	10 037 149	10 739 311
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VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS

ABAQULUSI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

10 PROPERTY, PLANT AND EQUIPMENT

10.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Intangible	Specilised Vehicles	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R	R	R
as at 1 July 2009	27 392 357	56 778 374	157 675 830	18 896 949	2 498 143	284 721	-	4 709 915	-	268 236 288
Cost/Revaluation	27 392 357	63 195 467	250 258 689	22 467 798	2 942 039	1 216 566	1 119 476	22 845 494	-	391 437 887
Correction of error (note)	-	-	-	-	-	-	-	-	-	-
Change in accounting policy (note)	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	(6 417 093)	(92 582 859)	(3 570 850)	(443 897)	(931 845)	(1 119 476)	(18 135 579)	-	(123 201 599)
Acquisitions	-	-	21 686 681	-	-	-	-	339 553	-	22 026 234
Capital under Construction	-	-	-	-	-	-	-	-	-	-
Depreciation	-	(1 099 576)	(13 534 150)	(515 893)	(88 871)	(166 154)	-	(1 377 567)	-	(16 782 211)
Carrying value of disposals	-	-	-	-	-	-	-	(88 410)	-	(88 410)
Cost/Revaluation	-	-	-	-	-	-	-	(88 410)	-	(88 410)
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	88 410	-	88 410
Transfers	-	-	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-	-	-
as at 30 June 2010	27 392 357	55 678 798	165 828 361	18 381 056	2 409 272	118 567	-	3 671 900	-	273 480 310
Cost/Revaluation	27 392 357	63 195 467	271 945 370	22 467 798	2 942 039	1 216 566	1 119 476	23 096 637	-	413 375 710
Accumulated depreciation and impairment losses	-	(7 516 669)	(106 117 009)	(4 086 743)	(532 768)	(1 097 999)	(1 119 476)	(19 424 736)	-	(139 895 400)

Refer to Appendix B for more detail on property, plant and equipment

Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Heritage	Intangible	Specilised Vehicles	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R	R	R
as at 30 June 2008	27 392 357	63 195 467	250 258 689	22 467 798	2 942 039	1 216 566	1 119 476	22 845 494	-	391 437 887
Cost/Revaluation	27 392 357	63 195 467	250 258 689	22 467 798	2 942 039	1 216 566	1 119 476	22 845 494	-	391 437 887
Correction of error (note)										-
Change in accounting policy (note)										-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	3 105 797	42 193 470	-	-	7 819	-	1 465 368	-	46 772 454
Capital under Construction	-	-	-	-	-	-	-	-	-	(443 897)
Depreciation	-	(6 417 093)	(92 582 859)	(3 570 850)	(443 897)	(931 845)	(1 119 476)	(18 135 579)	-	(123 201 599)
Carrying value of disposals	-	(37 523)	(97 808)	(66 290)	-	-	-	30 374 961	-	30 173 340
Cost/Revaluation	-	(37 523)	(97 808)	(66 290)	-	-	-	30 374 961	-	30 173 340
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-	-	-
as at 30 June 2009	27 392 357	56 778 374	157 675 830	18 896 949	2 498 143	284 721	-	4 709 915	-	268 236 288
Cost/Revaluation	27 392 357	63 195 467	250 258 689	22 467 798	2 942 039	1 216 566	1 119 476	22 845 494	-	391 437 887
Accumulated depreciation and impairment losses	-	(6 417 093)	(92 582 859)	(3 570 850)	(443 897)	(931 845)	(1 119 476)	(18 135 579)	-	(123 201 599)

Refer to Appendix B for more detail on property, plant and equipment

ABAQULUSI MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2010

11 INVESTMENTS

11.1 NON CURRENT INVESTMENTS

Deposits	38 497 014	34 767 056
	38 497 014	34 767 056
Investment Bank account		
SIMS Sanlam Account - Account Number MUNVRY Investment Account		
Bank statement balance at the beginning of the year	33 277 226	33 277 226
Bank statement balance at the end of the year	35 629 128	33 277 226
Investment Bank account		
Absa Bank Account - Vryheid Branch Account Number 5598098427 Investment Account		
Bank statement balance at the beginning of the year	1 489 830	1 489 830
Bank statement balance at the end of the year	1 489 830	1 489 830
Investment Bank account		
Absa Bank Account - Vryheid Branch Account Number 9122861337 Investment Account		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	746 846	-
Investment Bank account		
Absa Bank Account - Vryheid Branch Account Number 9229810534 Investment Account		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	631 210	-
TOTAL NON CURRENT INVESTMENTS	38 497 014	34 767 056

12 INVENTORIES

Consumable Stores	5 701 622	6 777 902
	5 701 622	6 777 902

Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority.

13 CONSUMER DEBTORS

Rates	10 530 174	8 379 233
Electricity	6 226 902	5 268 090
Water	3 562 020	1 936 194
Sewerage	4 289 658	2 480 816
Refuse	2 633 746	1 236 121
Other	3 495 688	2 797 743
Value Added Taxation	2 481 675	1 616 438
Add Back credits included above	(625 452)	(778 386)
Total service debtors	32 594 412	22 936 250
Less provision for bad debts	(13 008 048)	(1 940 136)
Total	19 586 365	20 996 114

No comparative amounts are available for credits included in the consumer debtors

Rates: Ageing

Current (0 – 30 days)	1 794 507	3 222 402
31 - 60 Days	626 805	457 580
61 - 90 Days	455 594	457 491
91 - 120 Days	594 442	475 263
Greater than 120 days.	7 058 825	3 766 497
Total	10 530 174	8 379 233

ABAQULUSI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Electricity: Ageing.

Current (0 – 30 days)	4 153 988	4 268 881
31 - 60 Days	225 904	87 233
61 - 90 Days	138 708	42 504
91 - 120 Days	155 128	38 409
Greater than 120 days.	1 549 172	831 064
Total	6 222 900	5 268 090

Water: Ageing.

Current (0 – 30 days)	994 600	1 015 341
31 - 60 Days	235 326	98 461
61 - 90 Days	141 452	79 862
91 - 120 Days	151 247	56 801
Greater than 120 days.	2 039 395	685 729
Total	3 562 020	1 936 194

Sewerage: Ageing.

Current (0 – 30 days)	750 049	874 954
31 - 60 Days	273 087	186 648
61 - 90 Days	235 439	170 151
91 - 120 Days	205 293	149 119
Greater than 120 days.	2 825 791	1 099 945
Total	4 289 658	2 480 816

Refuse: Ageing.

Current (0 – 30 days)	569 719	566 330
31 - 60 Days	198 455	70 521
61 - 90 Days	165 548	62 035
91 - 120 Days	150 348	51 601
Greater than 120 days.	1 549 676	485 634
Total	2 633 746	1 236 121

Other: Ageing.

Current (0 – 30 days)	138 440	584 388
31 - 60 Days	110 045	95 133
61 - 90 Days	82 382	100 394
91 - 120 Days	124 576	91 306
Greater than 120 days.	3 040 245	1 926 522
Total	3 495 688	2 797 743

Value Added Taxation: Ageing.

Current (0 – 30 days)	958 175	952 204
31 - 60 Days	145 722	85 918
61 - 90 Days	107 222	81 404
91 - 120 Days	99 423	73 200
Greater than 120 days.	1 171 133	423 712
Total	2 481 675	1 616 438

Add Back credits included above: Ageing.

Current (0 – 30 days)	(284 921)	(449 183)
31 - 60 Days	(76 093)	(68 716)
61 - 90 Days	(38 516)	(57 197)
91 - 120 Days	(64 163)	(45 070)
Greater than 120 days.	(161 758)	(158 221)
Total	(625 452)	(778 386)

13.1 Reconciliation of the doubtful debt provision

Balance at beginning of the year	1 940 136	6 911 718
Consumer Debtors	1 940 136	6 911 718
Other Debtors	-	-
Contribution for the year	11 067 912	3 337 014
Consumer Debtors	11 067 912	3 337 014
Other Debtors	-	-
(Release from) Contribution to provision	-	-
Consumer Debtors	-	-
Other Debtors	-	-
Bad Debts written of against provision.		8 308 596
Consumer Debtors	13 008 047	1 940 136
Other Debtors	-	-
Balance at end of year.	13 008 047	1 940 136

ABAQULUSI MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2010

14 OTHER DEBTORS

Sundry Debtors	9 287 888	2 801 461
Other debtors	1 810 098	6 031 741
Accrual Interest	68 119	
Amounts paid in advance	-	7 015
Total Other Debtors	11 166 105	8 840 217

DISCLOSURE ENTRIES BANK ACCOUNT

Year End Adjustments (Deposits in transit etc)	-	294 577
Total Other Debtors	11 166 105	9 134 794

15 CURRENT INVESTMENTS

Call investments	6 209 325	8 766 072
	6 209 325	8 766 072

Investment Bank account

Absa Bank Account - Vryheid Branch
Account Number 9195460586 Short Term Investment Account

Bank statement balance at the beginning of the year	7 921 347	7 921 347
Bank statement balance at the end of the year	3 477 801	7 921 347

Investment Bank account

Absa Bank Account - Vryheid Branch
Account Number 9229810136 Short Term Investment Account

Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	1 860 812	-

Investment Bank account

Absa Bank Account - Vryheid Branch
Account Number 9061060389 Short Term Investment Account

Bank statement balance at the beginning of the year	840 326	840 326
Bank statement balance at the end of the year	870 712	840 326

TOTAL SHORT TERM INVESTMENTS

6 209 325	8 766 072
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16 BANK BALANCES AND CASH

Cash and cash equivalents consist of the following:

Cash on hand	-	300
Petty Cash	5 970	5 820
	5 970	6 120

The Municipality has the following main bank accounts: -

Primary Bank Account

Absa Bank Limited Vryheid Branch Account Number 1005001109

Cash book balance at beginning of year	3 322 125	3 322 125
Cash book balance at end of year	3 240 927	3 322 125

Bank statement balance at beginning of year	3 729 819	3 729 819
Bank statement balance at end of year	3 996 661	3 729 819

Petty cash and cash on hand	5 970	6 120
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Total bank,cash and overdraft balances.	4 002 631	3 735 939
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ABAQULUSI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

17 PROPERTY RATES

Actual

Residential	12 456 610	12 830 956
Commercial	8 720 670	10 340 145
Agriculture	980 568	10 918
Donation: Sport & Welfare	328 450	171 025
State	4 014 843	1 722 237
Schools Non Government	301 283	-
Vacant Land	347 567	-
Non Taxable	3 425	-
Public Service Infrastructure	-	-
Total property rates	27 153 416	25 075 281
Property rates - penalties imposed and collection charges	(124 475)	36 562
Total	27 028 941	25 111 843

Valuations

Residential	3 058 109 600	110 949 000
Commercial	878 039 700	63 620 000
Agriculture	935 468 792	12 359 900
Donation: Sport & Welfare	134 255 000	33 539 630
State	432 696 000	125 500
Schools Non Government	40 670 000	1 049 500
Vacant Land	87 498 000	-
Non Taxable	277 676 000	-
Public Service Infrastructure	1 350 000	-
Total Property Valuations	5 845 763 092	221 643 530

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

Rates are levied on an monthly basis with the final date of payment being the end of every month. Interest at prime +1% per annum is levied on outstanding rates.

18 SERVICE CHARGES

Sale of electricity	90 353 231	69 073 712
Sale of water	16 398 819	14 354 847
Refuse removal	10 131 930	8 253 914
Sewerage and sanitation charges	12 934 286	10 938 903
Total Service Charges	129 818 265	102 621 375

19 GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	47 176 185	35 828 951
MIG Grant	15 040 767	957 604
M S I G Grant	1 300 000	-
M A P Grant	376 728	837 346
Upgrade Billing Emondlo	-	28 671
D M E Connections	6 629 457	-
Gijima	-	38 830
Cyber Cadet Library Grant	85 500	85 500
Land Use Manageent	-	285 950
Community Gardens	60 212	60 212
Project Consolidate - Informal	414 273	414 273
Project Consolidate- Meters	1 957 694	1 957 694
Project Consolidate - Facilitate	209 787	209 787
NT Financial Management Grant	1 000 000	-
Performance Management Systems	125 505	177 750
Housing	2 815 517	-
	77 191 625	40 882 568

19.1 Equitable Share

Balance unspent at beginning of year

Current year receipts	47 176 185	35 828 951
Conditions met - transferred to revenue	(47 176 185)	(35 828 951)
Conditions still to be met - remain liabilities (see note 7)	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

ABAQULUSI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

19.2 Municipal Infrastructure Grant

Balance unspent at beginning of year	957 604	
Current year receipts	17 006 000	13 287 000
Conditions met - transferred to revenue	(15 040 767)	(12 329 396)
Conditions still to be met - remain liabilities (see note 7)	2 922 837	957 604

19.3 Upgrade Sports Fields

Balance unspent at beginning of year	-	-
Current year receipts		370 380
Conditions met - transferred to revenue	-	(370 380)
Conditions still to be met - remain liabilities (see note 7)	-	-

19.4 Integrated Development Plan Grant

Balance unspent at beginning of year	-	-
Current year receipts		28 988
Conditions met - transferred to revenue	-	(28 988)
Conditions still to be met - remain liabilities (see note 7)	-	-

19.5 New Refuse Dump Louwsburg

Balance unspent at beginning of year	-	-
Current year receipts		3 994
Conditions met - transferred to revenue	-	(3 994)
Conditions still to be met - remain liabilities (see note 7)	-	-

19.6 Municipal Systems Improvement Grant

Balance unspent at beginning of year	-	1 192 463
Current year receipts	1 300 000	735 000
Conditions met - transferred to revenue	(1 300 000)	(1 927 463)
Conditions still to be met - remain liabilities (see note 7)	-	-

19.7 Municipal Assistance Program Grant.

Balance unspent at beginning of year	837 346	936 265
Current year receipts	500 000	
Conditions met - transferred to revenue	(376 728)	(98 919)
Conditions still to be met - remain liabilities (see note 7)	960 618	837 346

19.8 Vryheid Dev Potential

Balance unspent at beginning of year	-	-
Current year receipts		15 812
Conditions met - transferred to revenue	-	(15 812)
Conditions still to be met - remain liabilities (see note 7)	-	-

19.9 Upgrade Billing Emondlo

Balance unspent at beginning of year	28 672	40 629
Current year receipts	932	
Conditions met - transferred to revenue	-	(11 957)
Conditions still to be met - remain liabilities (see note 7)	29 604	28 672

19.10 Department of Minerals and Energy Grant

Balance unspent at beginning of year	-	6 791 405
Current year receipts	9 844 000	10 600 000
Conditions met - transferred to revenue	(6 629 457)	(17 391 405)
Conditions still to be met - remain liabilities (see note 7)	3 214 543	-

19.11 Municipal Financial Management Act Grant

Balance unspent at beginning of year	-	61 592
Current year receipts		
Conditions met - transferred to revenue	-	(61 592)
Conditions still to be met - remain liabilities (see note 7)	-	-

ABAQULUSI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

19.12 Gijima

Balance unspent at beginning of year	38 830	81 536
Current year receipts	-	101 920
Conditions met - transferred to revenue	-	(144 626)
Conditions still to be met - remain liabilities (see note 7)	38 830	38 830

19.13 Cyber Cadet Library Grant

Balance unspent at beginning of year		
Current year receipts	85 500	85 500
Conditions met - transferred to revenue	(85 500)	
Conditions still to be met - remain liabilities (see note 7)	-	85 500

19.14 Management Audit Grant

Balance unspent at beginning of year	-	19 289
Current year receipts		
Conditions met - transferred to revenue	-	(19 289)
Conditions still to be met - remain liabilities (see note 7)	-	-

19.15 Metering Grant

Balance unspent at beginning of year	-	44 190
Current year receipts	-	
Conditions met - transferred to revenue	-	(44 190)
Conditions still to be met - remain liabilities (see note 7)	-	-

19.16 Systems Grant

Balance unspent at beginning of year	-	80 000
Current year receipts	-	
Conditions met - transferred to revenue	-	(80 000)
Conditions still to be met - remain liabilities (see note 7)	-	-

19.17 Property Rates Shared Service

Balance unspent at beginning of year		
Current year receipts	-	500 000
Conditions met - transferred to revenue	-	(500 000)
Conditions still to be met - remain liabilities (see note 7)	-	-

19.18 Emondlo Library

Balance unspent at beginning of year	-	87 692
Current year receipts	-	
Conditions met - transferred to revenue	-	(87 692)
Conditions still to be met - remain liabilities (see note 7)	-	-

ABAQULUSI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

19.19 Land Use Manageent

Balance unspent at beginning of year	285 950	430 000
Current year receipts		
Conditions met - transferred to revenue	-	(144 050)
Conditions still to be met - remain liabilities (see note 7)	<u>285 950</u>	<u>285 950</u>

19.20 Capacity Building 02/03

Balance unspent at beginning of year	-	271 893
Current year receipts	-	
Conditions met - transferred to revenue	-	(271 893)
Conditions still to be met - remain liabilities (see note 7)	<u>-</u>	<u>-</u>

19.21 Community Gardens

Balance unspent at beginning of year	60 212	67 512
Current year receipts		
Conditions met - transferred to revenue	(60 212)	(7 300)
Conditions still to be met - remain liabilities (see note 7)	<u>-</u>	<u>60 212</u>

19.22 Donations Public Toilets (ZDM)

Balance unspent at beginning of year	-	60 000
Current year receipts	-	
Conditions met - transferred to revenue	-	(60 000)
Conditions still to be met - remain liabilities (see note 7)	<u>-</u>	<u>-</u>

19.23 CMIP Upgrade VHD Sewer Works

Balance unspent at beginning of year	-	9 268 219
Current year receipts	-	
Conditions met - transferred to revenue	-	(9 268 219)
Conditions still to be met - remain liabilities (see note 7)	<u>-</u>	<u>-</u>

19.24 CMIP Funds Unallocated

Balance unspent at beginning of year	-	3 940 485
Current year receipts	-	
Conditions met - transferred to revenue	-	(3 940 485)
Conditions still to be met - remain liabilities (see note 7)	<u>-</u>	<u>-</u>

19.25 CMIP Emondlo roads etc

Balance unspent at beginning of year	-	784 296
Current year receipts	-	
Conditions met - transferred to revenue	-	(784 296)
Conditions still to be met - remain liabilities (see note 7)	<u>-</u>	<u>-</u>

19.26 Project Consolidate - Informal

Balance unspent at beginning of year	414 273	778 595
Current year receipts	-	
Conditions met - transferred to revenue	(414 273)	(364 322)
Conditions still to be met - remain liabilities (see note 7)	<u>0</u>	<u>414 273</u>

19.27 Project Consolidate- Meters

Balance unspent at beginning of year	1 957 694	2 452 601
Current year receipts		
Conditions met - transferred to revenue	(1 957 694)	(494 907)
Conditions still to be met - remain liabilities (see note 7)	<u>-</u>	<u>1 957 694</u>

ABAQULUSI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

19.28 Project Consolidate - Facilitate

Balance unspent at beginning of year	209 787	228 766
Current year receipts		(18 979)
Conditions met - transferred to revenue	(209 787)	
Conditions still to be met - remain liabilities (see note 7)	-	209 787

19.29 Project Consolidate - Louwsburg meters

Balance unspent at beginning of year	-	209 787
Current year receipts	276 535	(18 979)
Conditions met - transferred to revenue	-	
Conditions still to be met - remain liabilities (see note 7)	276 535	190 808

19.30 N D R Local Government Grant

Balance unspent at beginning of year	-	257 732
Current year receipts		
Conditions met - transferred to revenue	-	(257 732)
Conditions still to be met - remain liabilities (see note 7)	-	-

19.31 NT Financial Management Grant

Balance unspent at beginning of year	-	400 246
Current year receipts	1 000 000	500 000
Conditions met - transferred to revenue	(1 000 000)	(900 246)
Conditions still to be met - remain liabilities (see note 7)	-	-

19.32 Disaster Management Grant

Balance unspent at beginning of year	-	20 000
Current year receipts	-	
Conditions met - transferred to revenue	-	(20 000)
Conditions still to be met - remain liabilities (see note 7)	-	-

19.33 Performance Management Systems

Balance unspent at beginning of year	177 750	275 750
Current year receipts		
Conditions met - transferred to revenue	(125 505)	(98 000)
Conditions still to be met - remain liabilities (see note 7)	52 245	177 750

19.34 DBSA Grants

Balance unspent at beginning of year	-	65 000
Current year receipts	-	551 272
Conditions met - transferred to revenue	-	(616 272)
Conditions still to be met - remain liabilities (see note 7)	-	-

19.35 Housing

Balance unspent at beginning of year		
Current year receipts	3 058 013	29 527 500
Conditions met - transferred to revenue	(2 815 517)	(29 527 500)
Conditions still to be met - remain liabilities (see note 7)	242 497	-

20 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	42 747 998	34 678 204
Employee related costs - Contributions for UIF, pensions and medical aids	9 934 101	8 414 809
Travel, motor car, accommodation, subsistence and other allowances	3 955 232	3 673 011
Housing benefits and allowances	1 633 388	469 344
Overtime payments	5 806 573	5 476 147
Performance and other bonuses	3 829 580	2 846 952
Long-service awards	39 761	44 480
Other employee related costs	244 848	1 313 584
Total Employee Related Costs	68 191 482	56 916 532

There were no advances to employees.

ABAQULUSI MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2010

Remuneration of the Municipal Manager

Annual Remuneration	803 172	582 336
Performance- and other bonuses	104 665	87 831
Travel, motor car, accommodation, subsistence and other allowances	237 902	148 008
Contributions to UIF, Medical and Pension Funds	603	30 495
Total	1 146 342	848 670

Remuneration of the Chief Finance Officer

Annual Remuneration	592 304	536 410
Performance- and other bonuses	69 453	54 001
Travel, motor car, accommodation, subsistence and other allowances	62 029	49 500
Contributions to UIF, Medical and Pension Funds	2 995	2 995
Total	726 781	642 906

Remuneration of Individual Executive Directors

	Technical Services R	Corporate Services R	Community Services R
2010			
Annual Remuneration	492 915	401 446	396 915
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	145 438	199 117	213 634
Contributions to UIF, Medical and Pension Funds	1 750	125	828
Total	640 103	600 688	611 378

2009

	Technical Services R	Corporate Services R	Community Services R
Annual Remuneration	148 686	307 873	308 300
Performance- and other bonuses	-	37 905	125 000
Travel, motor car, accommodation, subsistence and other allowances	53 351	144 090	7 500
Contributions to UIF, Medical and Pension Funds	13 747	2 496	2 496
Total	215 784	492 364	443 296

Remuneration of Individual Executive Directors

	Water and Sanitation Services R
2010	
Annual Remuneration	492 915
Performance- and other bonuses	-
Travel, motor car, accommodation, subsistence and other allowances	145 438
Contributions to UIF, Medical and Pension Funds	523
Total	638 876

2009

	Water and Sanitation Services R
Annual Remuneration	492 915
Performance- and other bonuses	-
Travel, motor car, accommodation, subsistence and other allowances	145 438
Contributions to UIF, Medical and Pension Funds	523
Total	554 947

21 REMUNERATION OF COUNCILLORS

Mayor	572 108	534 683
Deputy Mayor	443 825	415 102
Speaker	393 840	423 179
Executive Committee Members	2 166 775	1 988 546
Councillors	5 393 506	3 619 787
Councillors' medical aid contributions	-	15 840
Councillors' allowances	-	1 475 526
Total Councillors' Remuneration	8 970 054	8 472 662

In-kind Benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of the Council owned vehicle for official duties. The Mayor has one full-time bodyguard.

ABAQULUSI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

22 BULK PURCHASES

Electricity	60 065 644	39 969 284
Water	479 483	384 312
Total Bulk Purchases	60 545 127	40 353 596

23 CONTRACTED SERVICES

Contracted services for:		
Internal Audit	365 278	317 462
Meter Reading	285 954	313 202
Computer Services	1 953 350	-
	2 604 582	630 663

24 GRANTS AND SUBSIDIES PAID

Grant Expenditure	13 811 685	7 833 388
Grant in aid	70 000	65 000
	13 881 685	7 898 388

25 GENERAL EXPENSES

Included in general expenses are the following:-

Advertising	537 129	373 563
Admin fees	-	18 000 000
Allowance & Contributions Pensioners	1 003 760	840 245
Audit fees	1 028 403	952 653
Awards	1 499	
Bank charges	555 394	553 747
Banking Services	304 319	261 650
Brochures & Postcards	3 579	2 942
Cleaning Materials	135 523	101 023
Cartage & Railage	42 379	31 483
Chemicals	810 799	810 032
Christmas Festive Lights	24 939	24 150
Conferences and delegations	46 636	17 290
Compensation Commissioner	-	228 367
Council Community Projects	499 856	557 459
Contract Payments	17 885 866	15 956 223
Consumables	9 938	
Corporate Gifts	15 317	
Data Lines	27 022	35 167
Disaster Relief	42 607	66 552
Drawing Material	-	2 012
Electricity & Water Services	3 764 216	3 139 010
E- mail Subscription Fees	1 890	86 141
Entertainment	141 099	81 907
Equipment Less R 1000.00	23 374	7 497
First Aid Supply	128	225
Fuel and oil	1 839 144	1 669 139
Grass Cutting	27 048	
Hire Of Office Equipment	610 277	351 903
Insurance	339 332	592 663
Insurance Excess	9 847	
Indigent Burials	365 798	291 607
Lease of Vehicles	528 304	842 020
L E D Projects	174 239	
Legal expenses	1 423 388	2 120 282
Levies paid	453	971
Lost Books	-	2 428
Magazines & Periodicals	61 150	48 866
Minor Loose Tools	32 528	26 381
Membership fees	258 293	9 377
Membership fees Battlefield Route	3 000	2 632
Music Rights	19 096	18 092
Museum Activities	305	
Name Tags	101	180
News Slot	111 722	
Postage	808 732	517 509
Pension For Retrenched People	290 615	305 310
Personnel functions	-	2 438
Point Duties	4 320	4 320
Prayer Day	119 032	18 858
Printing and stationery	762 399	584 291

ABAKULUSI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Printing For Mayor	-	5 183
Professional fees	106 618	11 258
Public Participation S & T	646 119	328 857
Pub Sem & Community Projects	-	439
Pub Films & Photos	2 360	1 700
Pub Info Booklets	3 789	3 750
Pub Vryheid Brochures	9 600	8 680
Publicity stickers	3 300	3 139
Radio Licences	9 132	
Rates Rebate	351 615	
Refreshments	17 116	3 694
Strategic Planning	44 077	16 972
SETA Expenditure	-	206 868
Skills development levies	638 153	543 758
Sports & Comm Service Functions	1 015 567	992 838
Telephone cost	1 058 121	1 001 168
Tourism Exhibitions/Projects	3 079	2 184
Training	567 937	343 571
Training Electricity	60 198	119 900
Travel and subsistence	772 454	787 745
User Group Expenses	11 172	12 150
Vryheid Tourism	548	944
Valuation Roll costs	268 827	2 503 818
Other	835 996	10 498 485
Provision for leave.	2 700 849	1 769 276
Provision for Bad Debts	8 731 742	
Valuation costs	77 300	64 100
Ward Projects	911 089	
Wellness Program	1 011	
	53 542 565	68 769 078

26 FINANCE LEASE LIABILITY

2010

Amounts payable under finance leases

Within one year
Within two to five years

Less: Amount due for settlement within 12 months (current portion)

Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
-	-	-
-	-	-

The average lease term is x years and the average effective borrowing rate is x%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate between x% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

27 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities	163 517	130 850
Rental of equipment	12 810	206 561
Other rentals	248 609	233 403
Total rentals	424 936	570 814

28 INTEREST EARNED - EXTERNAL INVESTMENTS

Bank Current Account	164 806	330 808
Investments	3 474 698	
Total interest	3 639 503	330 808

29 INTEREST EARNED - OUTSTANDING RECEIVABLES

Consumer Debtors	596 079	845 150
Sundry Debtors	19 181	20 516
Total interest	615 260	865 667

30 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS

30.1 Other income	22 661 937	2 291 206
Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 36)	-	-
Total Other Income	22 661 937	2 291 206

ABAQULUSI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

31 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment	16 782 213	123 201 599
Intangible assets	-	-
Investment property carried at cost	-	-
Biological assets carried at cost	-	-
Total Depreciation and Amortisation	16 782 213	123 201 599

32 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	16 139 156	(661 551)
Adjustment for:-		
Depreciation and amortisation	21 741	123 201 599
(Gain) / loss on sale of assets	(71 672)	-
Contribution to provisions - non-current		
Contribution to provisions - current		
Impairment loss / (reversal of impairment loss)	88 410	-
Interest earned	(4 254 763)	(1 196 474)
Operating surplus before working capital changes:	11 922 871	121 343 574
(Increase)/decrease in inventories	1 076 280	(1 931 822)
(Increase)/decrease in trade receivables	(394 079)	(2 192 162)
Increase/(decrease) in conditional grants and receipts	2 970 040	(6 014 839)
Increase/(decrease) in trade payables	455 661	(24 001 714)
Increase/(decrease) in consumer deposits	689 481	2 894 433
Increase/(decrease) in VAT receivable	(702 162)	1 057 839
Other asset		
Other liability		
Cash generated by/(utilised in) operations	16 018 093	91 155 309

33 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	3 996 661	3 328 245
Call Investment Deposits	6 209 325	8 766 072
Net cash and cash equivalents	10 205 985	12 094 317

34 CHANGE IN ACCOUNTING POLICY

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:

34.1 Statutory Funds

Balance previously reported: -

Capital Development Fund	-	66 671 014
Public Improvement Fund	-	37 056 730
Loan Redemption Fund	-	6 235 340
Loans redeemed and other capital receipts	-	343 070 802
Total	-	453 033 886

Implementation of GRAP

Transferred to Accumulated Surplus/(Deficit) (see 35.3 below)	-	453 033 886
Transferred to Government Grant Reserve	-	-
Transferred to Capitalisation Reserve	-	-

34.2 Accumulated Depreciation

Balance previously reported -

Implementation of GRAP

Backlog depreciation: Buildings	-	6 417 093
Backlog depreciation: Infrastructure	-	92 582 859
Backlog depreciation: Community	-	3 570 850
Backlog depreciation: Other	-	18 135 578
Backlog depreciation: Heritage	-	443 897
Backlog depreciation: Intangible Assets	-	931 845
Backlog depreciation: Specialised Vehicles	-	1 119 476
Total (debited to Accumulated Surplus/(Deficit)) (see 35.3 below)	-	123 201 599

ABAQULUSI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

34.3 Accumulated Surplus/(Deficit)

Implementation of GRAP

Balance 30 June 2009	-	489 684
Transferred from statutory funds (see 35.1 above)	-	453 033 886
Backlog depreciation (see 35.2 above)	-	(123 201 599)
Total	-	330 321 971

35 CORRECTION OF ERROR

**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE
36 DISALLOWED**

36.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance
Unauthorised expenditure current year
Approved by Council or condoned
Transfer to receivables for recovery
Unauthorised expenditure awaiting authorisation

- -

Incident	Disciplinary steps/criminal proceedings
-----------------	--

36.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -
Fruitless and wasteful expenditure current year
Condoned or written off by Council
To be recovered – contingent asset (see note 55)
Fruitless and wasteful expenditure awaiting condonement

- -

Incident	Disciplinary steps/criminal proceedings
-----------------	--

36.3 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance
Fruitless and wasteful expenditure current year
Condoned or written off by Council
Transfer to receivables for recovery – not condoned
Irregular expenditure awaiting condonement

- -

Incident	Disciplinary steps/criminal proceedings
-----------------	--

**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE
37 MANAGEMENT ACT**

37.1 Contributions to organised local government

Opening balance
Council subscriptions
Amount paid - current
Amount paid - previous years
Balance unpaid (included in payables)

-
(250 649)
250 649

- -

37.2 Audit fees

Opening balance
Current year audit fee
Amount paid - current year
Amount paid - previous years
Balance unpaid (included in payables)

1 028 403 952 653
(1 028 403) (952 653)

- -

ABAQULUSI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

37.3 VAT

VAT input receivables and VAT output payables are shown in note 8 and 9. All VAT returns have been submitted by the due date throughout the year.

37.4 PAYE and UIF

Opening balance		
Current year payroll deductions	9 556 199	
Amount paid - current year	(9 556 199)	
Amount paid - previous years		
Balance unpaid (included in payables)	-	-

37.5 Pension and Medical Aid Deductions

Opening balance	-	
Current year payroll deductions and Council Contributions	14 015 394	
Amount paid - current year	(14 015 394)	
Amount paid - previous years		
Balance unpaid (included in payables)	-	-

37.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days

as at 30 June 2010

W F Burger	2 400	
E C Tshigeng	797	
S I Hadebe	993	
M Mdlatse	2 675	
P M Mtshali	2 580	
G Nkholo	686	
Total Councillor Arrear Consumer Accounts	10 131	-

37.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

None

38 CAPITAL COMMITMENTS

38.1 Commitments in respect of capital expenditure

- Approved and contracted for	34 941 537	29 036 942
Infrastructure	34 941 537	
Community		
Heritage		
Other		
- Approved but not yet contracted for	3 250 000	15 566 058
Infrastructure	3 250 000	
Community		
Heritage		
Other		
Total	38 191 537	44 603 000

This expenditure will be financed from:

- External Loans		
- Government Grants	38 191 537	44 603 000
- Own resources		
- District Council Grants		
	38 191 537	44 603 000

ABAQULUSI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

38.2 Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

Operating leases paid per annum.
Within one year
In the second to fifth year inclusive
After five years
Total

- 2 047 859

- 2 047 859

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases and rentals are negotiated for an average of three years.

39 RETIREMENT BENEFIT INFORMATION

39.1 Defined contribution plan

The following are defined contribution plans: xxxxxxxxxxxxxxxxxxxx These contributions have been expensed.

39.2 Defined benefit plan

Personnel are members of the Natal Joint Municipal Pension Funds and South African Local Authorities Pension Funds. The last actuarial valuation for SALA was on 1 July 2006. The last actuarial valuation for Natal Joint Pension Funds was 31 March 2008.

40 CONTINGENT LIABILITY

40.1 Claim for damages

Dispute over tender procedures (J F C Engineers) 14 175
M I Sangweni-Eviction and rental collection. 122 770
Nyathi Village 500 000
Fire damages (Edcom) 200 000
Lakeside-Evictions 100 000
Quantum Leap 50 000

986 945

41 CONTINGENT ASSET

None

42 IN-KIND DONATIONS AND ASSISTANCE

None

43 RELATED PARTIES

Joint Ventures
Associates
Members of key management
Close family member of key management
Post employment benefit plan for employees of municipality and/or other related parties
Other related party relationships

Related party balances

Deputy Mayor Councillor J J Jones declared his interest in a company called Thistlegorm t/a Step by Step Computing
Mr Jones has a 49 % shareholding in the company
Transactions for the year 2008/2009

4 224 33 769

Mr A B Khumalo - Accountant: Financial Services has declared an interest in the company called Mkhaks Development
Transactions for the year 2009/2010

9 056 0

Councillor N P Ndlela has an interest in the company called Abaphumuleli 506 c.c.
Transactions for the year 2008/2009

0 21 910

ABAQULUSI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

44 EVENTS AFTER THE REPORTING DATE

None

45 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment
Recoverable amounts of property, plant and equipment
Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)
Present value of defined benefit obligation
Provision for doubtful debts

46 RISK MANAGEMENT

46.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis in terms of council policy. Sales to consumer customers are settled in cash.

46.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

46.3 Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits
- Notice deposits
- Development Bank of South Africa loan

47 RESTATEMENT OF COMPARATIVE INFORMATION

Provision for leave have been reclassified as accruals. The effect of the restatement is summarised below:

Statement of Financial Position:

Provisions
Accruals - leave

ABAQULUSI MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
as at 30 June 2010

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2009	Received during the period	Redeemed / written off during the period	Balance at 30 June 2010
			R	R	R	R
ANNUITY LOANS	102 954		-	-	-	-
DBSA			-	2 476 000		2 476 000
Total long-term loans		-	-	2 476 000	-	2 476 000
TOTAL EXTERNAL LOANS		-	-	2 476 000	-	2 476 000

ABAQULUSI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land	26 375 630	-	-	-	26 375 630	-	-	-	-	-	-	-	26 375 630
Land	1 016 727	-	-	-	1 016 727	-	-	-	-	-	-	-	1 016 727
Landfill Sites													
	27 392 357	-	-	-	27 392 357	-	-	-	-	-	-	-	27 392 357
Buildings	63 195 467			-	63 195 467	(6 417 093)	(1 099 576)	-	-	(7 516 669)	-	-	55 678 798
Infrastructure													
Airports	987 109			-	987 109	(150 519)	(17 492)			(168 011)			819 098
Roads	61 495 849	2 653 275		-	64 149 124	(41 538 786)	(4 490 172)			(46 028 958)			18 120 166
Bins & Containers	276 206				276 206	(105 252)	(24 967)			(130 219)			145 986
Bridges	684 694				684 694	(219 814)	(27 254)			(247 068)			437 627
Car Parks, Bus Terminals & Taxi Ranks	4 541 180				4 541 180	(624 766)	(181 198)			(805 964)			3 735 216
Perimeter Protection	574 349				574 349	(347 984)	(50 714)			(398 698)			175 652
Pump Stations	565 373				565 373	(44 285)	(18 846)			(63 131)			502 242
Purification	31 222 031	12 403 950			43 625 981	(3 918 315)	(1 487 244)			(5 405 559)			38 220 422
Sewerage Reticulation	42 754 266				42 754 266	(11 793 885)	(2 105 369)			(13 899 254)			28 855 012
Substations	6 666 765				6 666 765	(1 598 821)	(235 904)			(1 834 725)			4 832 040
Streetlights/Robots	1 993 885				1 993 885	(648 461)	(81 393)			(729 854)			1 264 030
Telemetry	232 598				232 598	(172 208)	(13 696)			(185 904)			46 694
Electricity Meters	1 806 096			-	1 806 096	(886 368)	(120 406)			(1 006 774)			799 322
Electricity Equipment	2 211 941			-	2 211 941	(441 488)	(88 957)			(530 445)			1 681 496
Electricity Supply/Reticulation	52 163 814	6 629 456			58 793 270	(15 605 100)	(2 530 421)			(18 135 521)			40 657 749
Water Reticulation	26 514 212			-	26 514 212	(7 355 125)	(1 319 045)			(8 674 170)			17 840 042
Reservoirs/Storage	8 930 996			-	8 930 996	(3 934 129)	(388 929)			(4 323 058)			4 607 939
Water Meters	2 155 194			-	2 155 194	(918 149)	(143 680)			(1 061 829)			1 093 364
Storm Water	4 482 131			-	4 482 131	(2 279 405)	(208 463)			(2 487 868)			1 994 263
	250 258 689	21 686 681		-	271 945 370	(92 582 859)	(13 534 150)	-	-	(106 117 009)	-	-	165 828 361
Community Assets													
Parks & Gardens	873 252			-	873 252	-	-	-	-	-	-	-	873 252
Libraries	5 976 139			-	5 976 139	(1 120 989)	(202 528)	-	-	(1 323 517)	-	-	4 652 622
Sports & Recreation	4 939 022			-	4 939 022	(224 075)	(6 150)	-	-	(230 225)	-	-	4 708 796
Recreation Facilities	1 138 417			-	1 138 417	(173 634)	(22 681)	-	-	(196 315)	-	-	942 102
Civic Buildings	2 307 157			-	2 307 157	(508 282)	(76 905)	-	-	(585 187)	-	-	1 721 969
Child Care	747 237			-	747 237	(163 726)	(24 908)	-	-	(188 634)	-	-	558 603
Halls	3 767 992			-	3 767 992	(616 453)	(120 041)	-	-	(736 494)	-	-	3 031 497
Clinics	1 862 434			-	1 862 434	(396 488)	(62 080)	-	-	(458 568)	-	-	1 403 866
Swimming Pools	363 598			-	363 598	(363 598)	-	-	-	(363 598)	-	-	-
Cemeteries	492 551			-	492 551	(3 603)	(600)	-	-	(4 203)	-	-	488 347
	22 467 798			-	22 467 798	(3 570 850)	(515 893)	-	-	(4 086 743)	-	-	18 381 056
Heritage Assets													
Historical Buildings	2 666 133			-	2 666 133	(443 897)	(88 871)	-	-	(532 768)	-	-	2 133 366
Land	192 096			-	192 096	-	-	-	-	-	-	-	192 096
Other	83 810			-	83 810	-	-	-	-	-	-	-	83 810
	2 942 039			-	2 942 039	(443 897)	(88 871)	-	-	(532 768)	-	-	2 409 272
Total carried forward	366 256 350	21 686 681	-	-	387 943 031	(103 014 699)	(15 238 490)	-	-	(118 253 189)	-	-	269 689 842

ABAQULUSI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	366 256 350	21 686 681	-	-	387 943 031	(103 014 699)	(15 238 490)	-	-	(118 253 189)	-	-	269 689 842
Other Assets													
Office Equipment	1 188 759	33 045	-	-	1 221 804	(814 667)	(166 110)	-	-	(980 777)	-	-	241 027
Furniture & Fittings	1 130 244	53 161	-	-	1 183 405	(635 623)	(129 419)	-	-	(765 042)	-	-	418 363
Vehicles	6 713 772	-	-	-	6 713 772	(6 201 668)	(286 319)	-	-	(6 487 987)	-	-	225 785
Refuse tankers	8 504 859	-	-	-	8 504 859	(7 811 331)	(337 890)	-	-	(8 149 221)	-	-	355 638
Computer Equipment	3 154 169	231 347	-	-	3 385 516	(2 215 132)	(324 935)	-	-	(2 540 067)	-	-	845 448
Computer	-	22 000	-	-	22 000	-	(3 436)	-	-	(3 436)	-	-	18 564
Other Assets	2 153 691	-	(88 410)	-	2 065 281	(457 157)	(129 458)	-	88 410	(586 615)	-	-	1 567 076
	22 845 494	339 553	(88 410)	-	23 096 637	(18 135 579)	(1 377 567)	-	88 410	(19 513 146)	-	-	3 671 900
Specialised Vehicles													
Specialised Vehicles	1 119 476	-	-	-	1 119 476	(1 119 476)	-	-	-	(1 119 476)	-	-	-
	1 119 476	-	-	-	1 119 476	(1 119 476)	-	-	-	(1 119 476)	-	-	-
Intangible Assets													
Computer Software	1 216 566	-	-	-	1 216 566	(931 845)	(166 154)	-	-	(1 097 999)	-	-	118 567
	1 216 566	-	-	-	1 216 566	(931 845)	(166 154)	-	-	(1 097 999)	-	-	118 567
Finance Lease Assets													
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	391 437 887	22 026 234	(88 410)	-	413 375 710	(123 201 599)	(16 782 211)	-	88 410	(139 983 810)	-	-	273 480 310

ABAQULUSI MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation						Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Corrections	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	
Budget & Treasury	3 126 455	192 298		(88 410)		3 407 163	2 467 902	345 610	88 410	2 901 922	505 241
Community Services	21 239 120	68 954				21 308 074	5 465 657	607 746		6 073 403	15 234 671
Corporate Services	90 537 626	56 902				90 594 528	7 759 587	1 359 348		9 118 935	81 475 593
Electricity	66 125 702	6 629 457				72 755 159	20 391 926	3 082 779		23 474 705	49 280 454
Executive & Council	433 809	21 398				455 207	110 114	126 476		236 589	218 618
Housing	8 255					8 255	8 255			8 255	0
Other	987 109					987 109	150 519	17 492		168 011	819 098
Planning & Development	2 462 110					2 462 110	810 419	131 396		941 815	1 520 295
Public Safety	1 948 881					1 948 881	1 823 026	37 911		1 860 937	87 944
Road Transport	79 806 073	2 653 275				82 459 348	51 028 645	5 451 654		56 480 299	25 979 049
Sewerage Services	69 673 699	12 403 950				82 077 649	12 462 096	3 467 333		15 929 430	66 148 219
Solid Waste	2 904 420					2 904 420	1 705 383	30 701		1 736 083	1 168 337
Sports & Recreation	6 555 430					6 555 430	794 100	45 439		839 538	5 715 892
Water	45 629 199					45 629 199	18 223 971	2 078 328		20 302 299	25 326 900
Total	391 437 888	22 026 234	0	(88 410)	0	413 552 532	123 201 598	16 782 213	88 410	140 072 221	273 480 310

ABAQULUSI MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2010

2009	2009	2009		2010	2010	2010
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R		R	R	R
(52 807 724)	20 842 818.91	31 964 905.55	Budget & Treasury	-90 683 042.09	18 636 953.29	72 046 088.80
(665 189)	15 589 320	(14 924 131)	Community Services	(1 155 858)	6 814 759	(5 658 901)
(327 778)	11 883 729	(11 555 951)	Corporate Services	(353 767)	12 328 753	(11 974 986)
(73 518 104)	63 300 080	10 218 023.67	Electricity	(94 326 057)	78 703 039	15 623 018.20
(2 454 952)	18 989 096	(16 534 143)	Executive & Council	(3 234 000)	32 302 212	(29 068 212)
-	668 332	(668 332)	Housing	-	808 210	(808 210)
(80 000)	285 173	(205 173)	Other	-	-	0.00
(85 250)	1 474 523	(1 389 273)	Planning & Development	(243 672)	10 000 521	(9 756 848)
(3 552 388)	10 577 865	(7 025 477)	Public Safety	(5 052 020)	10 617 064	(5 565 044)
(135 741)	19 073 675	(18 937 934)	Roads & Stormwater	(127 804)	20 746 247	(20 618 443)
(13 710 862)	10 617 528	3 093 333.91	Sewerage Services	(14 768 657)	13 221 006	1 547 650.38
(10 130 172)	10 291 043	(160 871)	Solid Waste	(12 638 430)	11 229 989	1 408 440.99
(16 798 014)	14 039 259	2 758 755.62	Water	(18 354 517)	12 535 487	5 819 029.84
174 266 176	197 632 443	(23 366 267)	Sub Total	(240 937 823)	227 944 241	12 993 582
	(24 027 817)	24 027 817	Less: Inter-Departmental		(3 145 573)	3 145 573.41
174 266 176	173 604 626	661 551	Total	(240 937 823)	224 798 667	16 139 156

ABAQULUSI MUNICIPALITY
APPENDIX E
APPENDIX E(1): ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

	Budget 2010	Actual 2010	Variance 2010	Variance 2010	Explanation of significant Variance greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Property rates	(27 260 000)	(27 028 941)	231 059	-0.85%	n/a
Service charges	(131 594 299)	(129 818 265)	1 776 034	-1.37%	n/a
Rental of facilities and equipment	(462 980)	(424 936)	38 044	-8.95%	n/a
Interest earned - external investments	(230 000)	(3 639 503)	(3 409 503)	93.68%	n/a
Interest earned - outstanding debtors	(680 000)	(615 260)	64 740	-10.52%	Less outstanding debtors than budgeted for.
Fines	(500 000)	(672 675)	(172 675)	25.67%	More fines been issued than been budgeted for.
Licences and permits	(3 900 000)	(4 379 345)	(479 345)	10.95%	More licences been issued as been budgeted for.
Government grants and subsidies	(49 625 000)	(51 696 960)	(2 071 960)	4.01%	n/a
Other income	(925 950)	(22 661 937)	(21 735 987)	95.91%	Due to assets transferred financed from grants
Total Revenue	(215 178 229)	(240 937 823)	(25 759 594)	10.69%	
EXPENDITURE					
Budget & Treasury	18 836 800	18 636 953	(199 847)	-1.07%	n/a
Community Services	6 681 570	6 814 759	133 189	1.95%	n/a
Corporate Services	12 493 000	12 328 753	(164 247)	-1.33%	n/a
Electricity	78 188 440	78 703 039	514 599	0.65%	n/a
Executive & Council	24 361 770	32 302 212	7 940 442	24.58%	Due to comply with provision for bad debts.
Housing	841 630	808 210	(33 420)	-4.14%	n/a
Planning & Development	10 045 950	10 000 521	(45 429)	-0.45%	n/a
Public Safety	10 128 770	10 617 064	488 294	4.60%	n/a
Roads & Stormwater	23 879 800	20 746 247	(3 133 553)	-15.10%	Savings on salary expenditure due to vacancies etc
Sewerage Services	12 527 440	13 221 006	693 566	5.25%	n/a
Solid Waste	11 627 410	11 229 989	(397 421)	-3.54%	n/a
Water	10 288 730	12 535 487	2 246 757	17.92%	Due to unexpected excess salary costs.
Total Expenditure	219 901 310	227 944 241	8 042 931	3.53%	
NET (SURPLUS)/ DEFICIT FOR THE YEAR	4 723 081	(12 993 583)	(17 716 663)	136.35%	

ABAQULUSI MUNICIPALITY
APPENDIX F
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Unspent portion 2008/2009 financial statements	Quarterly Receipts				Total Receipts	Quarterly Expenditure				Total Expenditure	Unspent portion 2009/2010 financial statements	Grants and Subsidies delayed / withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
			July to Sept	Oct to Dec	Jan to Mar	April to June		July to Sept	Oct to Dec	Jan to Mar	April to June						
			1	2	3	4		1	2	3	4						
Equitable Share	National Treasury	-	18 973 238	15 178 828	13 024 119		47 176 185	18 973 238	15 178 828	13 024 119	-	47 176 185	-	NO	N/A	YES	N/A
MSIG Grant	LGTA	-	1 300 000	-	-	-	1 300 000	34 239	160 581	884 653	220 527	1 300 000	0	NO	N/A	YES	N/A
MAP Grant	DPLG	837 346			500 000	-	500 000	68 939	82 727	48 482	176 581	376 728	960 617	NO	N/A	YES	N/A
Upgrade Billing Emondio	DPLG	28 671				932	932					-	29 603	NO	N/A	YES	N/A
DME Grant	Dept Minerals & Energy	-			9 844 000		9 844 000	1 855 534		2 913 416	1 860 508	6 629 457	3 214 543	NO	N/A	YES	N/A
GUJIMA	Dept Economic Development	38 830					-					-	38 830	NO	N/A	YES	N/A
Cyber Cadet Library Grant	Provincial Libraries	85 500					-				85 500	85 500	-	NO	N/A	YES	N/A
Land Use Management		285 950					-					-	285 950	NO	N/A	YES	N/A
Community Gardens		60 212					-				60 212	60 212	-	NO	N/A	YES	N/A
Project Consolidate		414 273					-				414 273	414 273	-	NO	N/A	YES	N/A
Project Consolidate		1 957 694					-				1 957 694	1 957 694	-	NO	N/A	YES	N/A
Project Consolidate		209 787					-				209 787	209 787	-0	NO	N/A	YES	N/A
Project Consolidate Louwsburg		-				276 535	276 535					-	276 535	NO	N/A	YES	N/A
M I G Capital Works	National Treasury	957 604	5 000 000	5 906 000	-	6 100 000	17 006 000	2 458 171	4 436 341	3 170 566	4 975 689	15 040 767	2 922 837	NO	N/A	YES	N/A
FMG Grant	National Treasury	-	1 000 000	-	-	-	1 000 000	242 917	75 765	409 276	272 041 0	1 000 000	0	NO	N/A	YES	N/A
Performance Management	LGTA	177 750					-				125 505	125 505	52 245	NO	N/A	YES	N/A
Housing	Department Of Housing	-	1 197 109	1 529 405	331 500		3 058 013	14 503	1 988 739	331 500	480 774	2 815 517	242 497	NO	N/A	YES	N/A
		5 053 617	27 470 346	22 614 233	23 699 619	6 377 467	80 161 665	23 647 541	21 922 982	20 782 011	10 839 091	77 191 624	8 023 658				
							80 161 665					77 191 625					
Reflected as other debtors - Note 14								Reflected as other debtors - claims submitted awaiting settlement - Note 14									
Unspent grants at 30 June 2009 - Note 7		5 053 617						Unspent grants at 30 June 2010 - Note 7				8 023 658					